

## The Legislative Fiscal Division

Presents:

Profile of...

## Department of Transportation

State of Montana



Agency Profile

This agency profile will discuss...

- structure and funding
- primary functions and
- historical expenditures

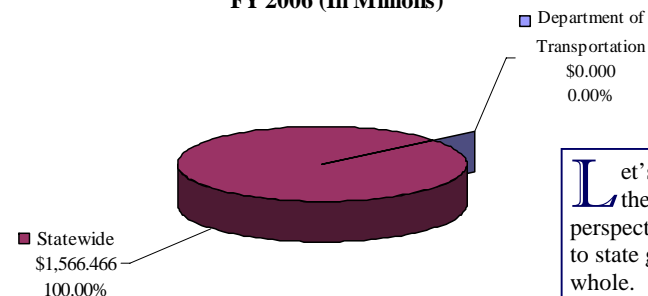
The profile also includes information on how decisionmakers can effect change in the agency's expenditures along with a listing of pertinent statistics. For an explanation of terms used in this profile, consult the "Background on the Agency Profiles" at: <http://leg.mt.gov/css/fiscal/default.asp>

Sept. 2006

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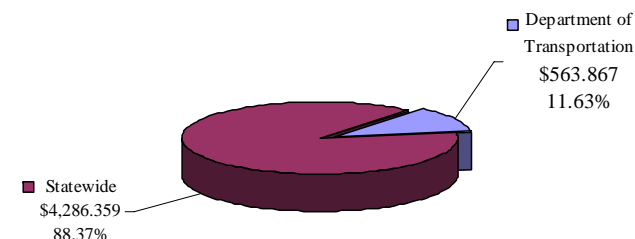


**General Fund Statewide Comparison  
FY 2006 (In Millions)**



Let's begin by putting the agency's size in perspective by comparing it to state government as a whole.

**Total Funds Statewide Comparison  
FY 2006 (In Millions)**



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Legislative Fiscal Division

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Section A  
General Government & Transportation



## What the Agency Does

The Department of Transportation, provided for in 2-15-2501 MCA, plans, constructs, and maintains the state highway infrastructure. The department also provides for the other aspects of a statewide multimodal transportation system through:

- Aeronautics safety protection and promotion
- General aviation airport planning, promotion, and maintenance facilitation
- Rail infrastructure coordination, monitoring, and planning
- Highway traffic safety promotion, planning, and administration
- Vehicle weight and dimension permitting and law enforcement
- Transit assistance

The five-member transportation commission whose members are appointed by the Governor establishes department priorities and apportions funding among the five state financial districts according to statutory guidelines, department recommendations, and community input. The nine-member board of aeronautics whose members are appointed by the Governor establishes priorities for department aeronautics activities.

Total FY 2006 FTE: 2,368.85 FTE all sources of authority (2,238.56 FTE HB 2, 129.29 proprietary, 1.00 FTE statutory appropriation)



## How Services Are Provided

The Department consists of eight divisions with the following functions:

**General Operations** - administers motor fuel taxes and provides administrative support services for the department, including general administration and management; accounting and budgeting; public affairs; information technology services; human resources activities; compliance review; and goods and services procurement. (182.77 FTE all authority types comprised of 181.77 FTE funded in HB 2 and 1.00 FTE funded through a statutory appropriation)



## Statewide Factors With Impact

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

- All general factors impacting overall personal services costs such as level of the pay plan and benefits due to personal services accounting for 20.6 percent of total expenditures in this agency
- Inflationary factors primarily for petroleum products



## Statutory References

The primary statutory references defining duties and responsibilities of the department and other key functions or funding requirements are found at the following locations.

2-15-2505, MCA – [Department of Transportation] Purpose  
Article VIII, Section 6, Montana Constitution - [Revenue and Finance]  
Highway Revenue Non-diversion  
Title 15, Chapter 70, MCA – Gasoline and Vehicle Fuels Taxes  
Title 60, MCA – Highways and Transportation  
Title 61, MCA – Motor Vehicles  
Title 67, MCA – Aeronautics



## How the Legislature Can Effect Change



In order to change expenditure levels and/or agency activity, the legislature must address one or more of the following basic elements that drive costs.

### Effect federal-aid funding levels

- Resolution to congress on funding issues, such as: 1) sanctions linked to federal-aid funds; 2) federal-aid funding allocations and priorities; and 3) state flexibility in use of federal funds and standards
- Align state laws with federal policies to optimize federal funding, such as: 1) open container laws; 2) repeat drunk driver laws; and 3) primary seat belt laws

### Establish policies for state funding of highway projects

- Requirements for highways state special revenue minimum balance
- Policy decision whether to maximize expenditure of all funds on the state transportation system or only expend state funds necessary to maximize federal aid funding on the state transportation system

### Influence the size and condition of highway infrastructure maintained by the state

- Modify highway system fund apportionment laws to allow more flexibility to address system based on need and condition
- Specify highway system service level standards

If the legislature is to change the cost of the elements that drive costs, it must address the factors that influence the level of the cost drivers. For example, what determines the level of highway maintenance expenditures? As a consequence, what range of policy choices does the legislature have if it wishes to change the level of highway maintenance expenditures? The following lists the primary factors influencing the drivers of costs for the agency. Please note that the list is not exhaustive.

- Smoothness of highway surface
- Acceptable level of snow/ice cover
- Distance between and service condition of rest areas
- Traffic congestion/flow
- Transportation system safety expectations
- Highway user services

**Construction** - plans and develops construction projects from the time a project is included in the long-range work plan through actual construction. Responsibilities include such tasks as project design, accessing environmental documents and permits, making right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved. It also administers Montana's highway traffic safety functions. (1,105.52 FTE all funded in HB 2)



**Maintenance** - preserves and maintains a safe and environmentally sound state highway transportation system and related facilities. Major maintenance activities include patching, repairing, and periodic sealing of highway surfaces; snow removal; and sanding. (760.17 FTE all funded in HB 2)

**State Motor Pool** - operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet; and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide.

Use of the State Motor Pool is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual and incentives in Montana Law. Other options for state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. State law encourages use of the State Motor Pool through a reimbursement rate for use of personal vehicles for state business travel that is set at 52 percent of the low mileage rate allowed by the United States Internal Revenue Services unless a State Motor Pool vehicle is not available.



The State Motor Pool fleet size and miles traveled by the fleet have increased significantly since the Office of Budget and Program Planning has began encouraging agencies to lease new vehicles from the State Motor Pool instead of directly purchasing vehicles. (6.00 FTE all funded with proprietary funds)

**Equipment** - is responsible for the acquisition, disposal, repair, and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. Other divisions of the Department of Transportation are the exclusive users of the fleet. Division costs are financed through rental fees charged to user divisions. (122.00 FTE all funded with proprietary funds)

**Motor Carrier Services** - enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses, issues oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance, and size/weight laws. (123.00 FTE all funded in HB 2)

**Aeronautics** - 1) facilitates the maintenance of airports and the various components of airport infrastructure, including visual and electronic navigational facilities and flying aids; 2) fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; 3) registers aircraft and pilots in accordance with Montana laws and regulations; and 4) coordinates and supervises aerial search and rescue operations. In accordance with the maintenance and safety aspects of the division's purpose, it administers a loan and grant program to municipal governments to provide funding for airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.



State Purposes	Major Agency Functions	Customers
<b>Workforce Support</b>	Civil rights	Transportation workers
<b>Consumer/Citizen Protection</b>	Aeronautics—safety and education	Air travelers
	Highway maintenance—winter	Traveling public
	Highway traffic safety	Traveling public
	Rail planning and assistance	Railroad customers and communities
<b>General Operation of State Government</b>	State Motor Pool	State government
<b>Infrastructure—Governmental and Physical</b>	Agency management and administration	Traveling public
	Aeronautics—airports and airways	Traveling public
	Community Transportation Enhancement Program	Traveling public and communities
	Equipment Program	Agency programs
	Highway construction—aircraft operations	Agency programs
	Highway construction—contracting and contract oversight	Traveling public
	Highway construction—engineering and design	Highway contractors
	Highway construction—environmental	General public
	Highway maintenance—signs	Traveling public and communities
	Highway maintenance—weeds	General public
	Motor Carrier Services	Traveling public
	Revenue and debt collections	State government
	Transportation planning—data collection and analysis	Agency programs
	Transportation planning—research	Dept. of Transportation
	Transportation planning—transit and urban planning and assistance	Traveling public and communities
	Traveler information services	Traveling public



- The funding for FY 2004 shows a departure from the previous trend of increasing federal funds and decreasing state funds as percentages of total department funding. The primary reason for the funding change is that, in FY 2004, an accounting change resulted in recording indirect cost expenditures for functions that would be recovered through federal reimbursement where in previous years the state special revenue expenditures were abated and federal expenditures were added in their place. Now, federal reimbursement is recorded as revenue and state expenditures remain. The accounting change resulted is a skewing of the state and federal expenditure trends from before and after the beginning of FY 2004.
- Total fund and state special revenue expenditures show an unusually high growth over FY 2005 due primarily to expenditure of bond proceeds for reconstruction of Highway 93 between Evaro Hill and Polson.

## Agency Functions, State Purposes, & Customers Served

The agency is structured to perform certain functions in support of general state government purposes.

The following lists the major functions, purpose of provision of the functions, and primary customers served.

The division serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The division is also responsible for operation of the air carrier airport at West Yellowstone and for 12 other state-owned airports. (10.29 FTE all authority types comprised of 9.00 FTE funded in HB 2 and 1.29 FTE funded with proprietary funds)

**Transportation Planning** - provides: 1) an inventory of transportation infrastructure to allocate funds, maintain Department of Transportation eligibility for grants and federal funds, and aid in the process of project prioritization and selection; 2) a statewide planning program and assistance to local area transportation planning; and 3) response to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. Planning includes buses for transit systems, street and highway improvements, railroad track rehabilitation, and transportation enhancements for non-motorized and beautification improvements. (59.10 FTE all funded in HB 2)

Personal services utilization:

The Department of Transportation provides services through a combination of state FTE, contract consultants, and construction contracts with private contractors. Personal services for state FTE comprised roughly 20.6 percent of department total expenditures in FY 2006.

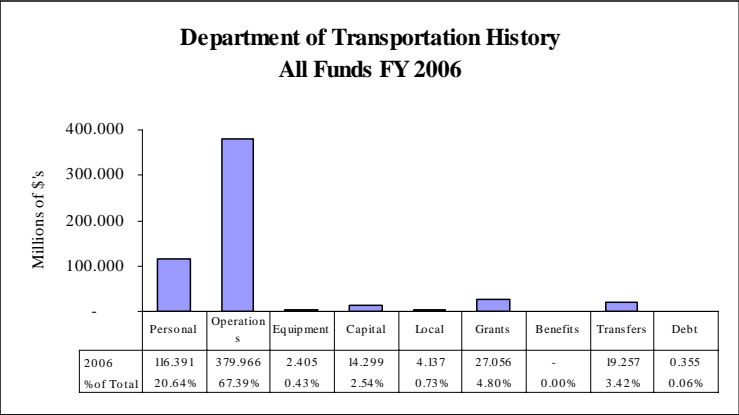
The department supports the construction needs for Montana highway infrastructure with in-house staff to plan, acquire right-of-way, perform preconstruction testing and analysis, prepare construction specifications and bid documents, and oversee construction activities and contracts. Highway project planning begins with condition and need assessments performed by agency staff and resources with input from the public and local governments. Department personnel monitor and verify highway construction work performed under construction contracts by private sector entities. Contracted staff augment department staff for a portion of highway design and preconstruction activities.



Montana highways are maintained by a combination of department staff and private sector contractors. Winter snow plowing is performed by seasonally hired department staff using department owned and maintained equipment. Routine and small sized summer maintenance projects are performed by department staff located in distributed regions of the state with major maintenance projects performed through contracts with private sector entities and monitored by department staff.

Department personnel enforce motor carrier laws, issue permits, and collect fees for special highway use activities outside specified weight and dimension limits. Enforcement includes oversight of motor carrier insurance, licensing, registration, special fuel use, and vehicle and driver safety. The department also administers the Motor Carrier Safety Assistance Program to improve motor carrier, commercial motor vehicle, and driver safety.

Department personnel collect fees and register aircraft and pilots, administer grants and loans for airport maintenance and planning, coordinate and supervise aerial search and rescue operations, maintain visual and electronic navigational facilities and flying aids for the state’s airways, and provide education and awareness programs to promote aviation and aviation safety. Department personnel oversee the operation of the state-owned commercial air carrier airport at West Yellowstone and 14 other state-owned public use airports.

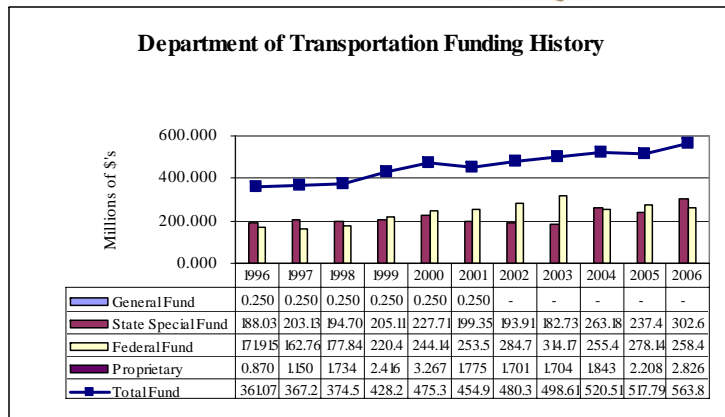


### Reasons for Expenditure Growth/Change

- The 1999 legislature passed SB 333 that transferred maintenance responsibility for paved secondary roads from counties and cities to the department. The increased number of lane miles and the corresponding increased staffing levels and maintenance material costs from SB 333 contributed to the state special fund growth from FY 2000 to FY 2003.
- The state special fund growth from SB 333 was offset by other factors that resulted in net decreases in state special fund spending:
  - State special fund spending on indirect costs were refunded with federal special funds in fiscal years 2002 and 2003
  - State special fund spending on 100 percent state funded construction projects were abnormally low in FY 2002 compared to historical spending trends (in FY 2002 expenditures on state funded construction projects dropped to \$1.2 million from an average of \$11.9 million for the previous two years)
- Annual federal-aid highway funding for Montana increased by roughly 55% when the Transportation Equity Act for the 21st Century (TEA21) was enacted by congress for federal fiscal years 1998 through 2003. The increased federal funding from TEA21 and the corresponding delays between federal funding increases and expenditure increases contribute most significantly to the growth of federal funds between FY years 1998 and 2005.
- A provision of TEA21 allowed federal funds to be used, under certain conditions, to fund highway maintenance activities, which prior to fiscal 2000 was funded entirely with state special funds. This provision continues in SAFETEA-LU.



## Expenditure History



Total fund expenditures derived from all sources of appropriations authority have increased by 56.2 percent from FY 1996 to FY 2006. From FY 1996, federal funds have declined from 47.6 percent of total funds to 45.8 percent of total funds while state special funds have increased from 52.1 percent to 53.7 percent of total funds. General fund, which contributed roughly 0.1 percent of funding in FY 1996, has been totally eliminated by FY 2002.

The expenditure growth of the department stands at a lower rate than growth of personal income in the state. FY 2006 total fund expenditures of the department at 156.2 percent of the FY 1996 are compared to the growth of personal income which stands at 171.5 percent of the FY 1996 level.



## How Services Are Funded



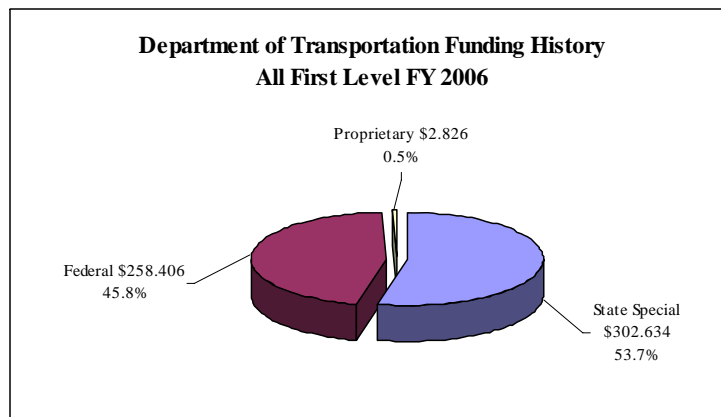
The Department of Transportation is funded from a combination of state special revenue, federal special revenue, and proprietary funds. State special revenue can be grouped into two general categories: those that are constitutionally protected and those that are not. The Constitution of the State of Montana states that revenues from gross vehicle weight fees and excise and license taxes on gasoline, fuel, and other energy sources that are used to propel vehicles on public highways are to be used solely for paying obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; and for enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Non-restricted revenues (not constitutionally protected) are derived from special use permits and motor fuel penalties and interest payments. Beginning in FY 2005, the department issued Grant Anticipation Revenue Vehicles or "GARVEE" bonds and deposited the proceeds into a state special revenue account for use in funding the reconstruction of Highway 93 between Evaro Hill and Polson.

Federal funds are provided through the U.S. Department of Transportation. Federal funds are authorized through a multi-year (typically six-year) federal funding bill that directs federal transportation priorities and policies through funding allocations. The latest federal transportation funding authorization, titled the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), was enacted August 10, 2005. SAFETEA-LU authorizes the Federal surface transportation programs for highways, highway safety, and transit for the five-year period from federal fiscal years 2005 to 2009.





Proprietary funds finance the entire operations of the State Motor Pool and Equipment Program and a portion of the Aeronautics Division. State Motor Pool proprietary funds are derived from vehicle rental fees charged to state agencies for short-term rental and long-term leases of motor pool vehicles. Equipment Program proprietary funds are derived from fees charged to other programs of the department for use of various equipment components. Proprietary funds derived from fees and charges to tenants of the state-owned West Yellowstone Airport fund its operating and maintenance costs. Appropriations of proprietary funds for the West Yellowstone Airport are not approved by the legislature and Equipment Program funds are derived from payments made from governmental funds that show as expenditures of other programs of the department so they are not included in the expenditure and funding figures of this document. Only proprietary funds for the State Motor Pool are shown in the expenditure and funding figures for the department. It should be noted that revenues that support the operations of the State Motor Pool and therefore its expenditures are derived from fees paid as expenditures of other state agencies. As such, the State Motor Pool expenditures are somewhat duplicating expenditures show for other state agencies.



## Related Data & Statistics

Element	1996	2004	Significance of Data
Total lane-miles - Montana	141,871	141,777	Shows amount of roads supported by state tax base
Total lane-miles - U.S.	8,295,171	8,338,821	Shows national road system to compare with state system
Urban population percentage - Montana	48.2	47.2	Profiles state high percentage of rural population
Urban population percentage - U.S. average	73.5	75.5	Profiles U.S. dominant urban population
Population per lane-mile - Montana	6.0	6.5	Shows how few people are available to fund highway costs in Montana
Population per lane mile - U.S. average	32.0	35.3	Shows there are five times as many people available to fund highway costs on average in the U.S.
Population per square mile - Montana	5.9	6.4	Shows dispersion of Montana population
Population per square mile - U.S. average	75.1	83.1	Shows the U.S. average population is less dispersed than in Montana

(Source: Federal Highway Administration, Highway Statistics 2004, Selected Measures for Identified Peer States. 2004 data is the most current published data available)